

MEETING OF THE RECLAMATION BOARD
April 20, 2006

PROPERTY MANAGEMENT

Assignment and Amendment of Reclamation Board Lease No. 94-2

Staff is asking the Board to consider two actions for an agricultural lease located on the overflow area along the east bank of the Feather River in Yuba County. The first requested action is the Board's consent to the assignment of the lease from the current lessee, Mr. Brent Hastey, to Mr. Raj Sharma. The second action is a request by Mr. Sharma to amend the lease so that he has the opportunity to recover his current investment in the property, to provide sufficient time for him to establish a walnut orchard, and recover his investment and to make a fair profit.

Reclamation Board Lease No. 94-2 of 120 acres, issued to Mr. Brent Hastey, has a beginning date of November 1, 1994 and an expiration date of October 31, 2004 with three five-year renewal options. The consideration for the lease was \$10,000 per year or five percent of the gross crop value, whichever is greater. In January 1997, the orchard was devastated by flooding from Feather River levee break. In response to the disaster, the Board amended the lease to allow for a new beginning date of November 1, 1997 and a expiration date of October 31, 2007 with three five-year renewal options. Additionally, the annual rental was reduced to \$1,000 per year or 10 percent of the gross crop value.

After the flood, Mr. Hastey engaged the services of Mr. Sharma to restore, rehabilitate, and replant the orchard. Mr. Sharma invested \$900,000 in cash and resources during the last nine years to restore the orchard and was well on the way to getting the orchard to become productive again. However, the recent high water event in the Spring of 2006 flooded the property again causing an estimated 30% to 50% tree loss of the planted prune and peach trees. Mr. Hastey was not financially able to go forward with the project and assigned the lease to Mr. Sharma. Mr. Sharma desires to recover his investment by going forward with the restoration of the orchard and transitioning from peaches and prunes to English walnuts. Based upon his farming experience on the property, he believes that walnuts can be planted and managed properly to survive future flood events. The lower branches of the walnut trees can be pruned higher than the level of the flood water, wider spacing between trees will impede the flows less, and Mr. Sharma proposes to use a variety of walnuts which uses a rot resistant root stock.

Mr. Sharma is asking the Board to assist him in the recovery of this orchard by giving him sufficient time to restore and replant the orchard in walnuts. He also requests that he be given the same consideration as the Board gave to Mr. Hastey in 1997 by continuing the minimum annual rental of \$1,000 for the eight years it is going to take until the new walnuts trees become productive.

Mr. Sharma's proposal is that the Board extend the primary term of the lease until October 31, 2027 with three five-year renewal options. He is also requesting that the annual rental be kept at \$1,000 per year for the next eight years of the lease. Beginning on November 1, 2015, he proposes that the State accept annual rental in the amount of

\$10,000 or five percent of the gross crop value, whichever is greater until November 1, 2027 when the annual rent would increase to 10 percent of the gross crop value.

Mr. Sharma farms over 1,500 acres of property and has over twenty years of farming experience. Mr. Sharma has proven his ability to take on and complete large farming projects, and has done so in the past with the City of Vacaville and Dixon Greenbelt Authority. Attached are letters from both cities attesting to his ability. Staff conducted a site inspection of the Board's property with Mr. Sharma and found the premises to be well maintained and in good condition.

The current lease provides that any extension of the lease must be mutually agreed to and that the only reason to reject an extension would be that the land is needed for mitigation purposes. This clause would remain in the lease but would not be in effect until the lease renewal of 2027 as provided in the proposed lease amendment.

Staff recommends that the Board consent to the assignment of the agricultural lease from Mr. Hastey to Mr. Sharma. Staff also recommends that the Board consider approval of an amendment to Reclamation Board Lease No. 94-2 for the following changes: the expiration date of the primary term of the lease is extended to October 31, 2027; the annual rent shall be \$1,000 until October 31, 2015; the annual rent beginning November 1, 2015 shall be \$10,000 or five percent of the gross crop value whichever is greater until November 1, 2027 when the percentage rental shall be ten percent of the gross crop value or \$10,000 whichever is greater.

Attachments: Lease No. 94-2
 Amendment No. 1
 Assignment Letter
 Consent to Assignment (proposed)
 Amendment No. 2 (proposed)
 Site Map
 Recommendation Letters

Maintenance Yard: SutterLease No: 94-2Work Order: 1850-1553**LEASE AGREEMENT NO. 94-2
AMENDMENT NO. 1**

WHEREAS, the Sacramento and San Joaquin Drainage District, acting by and through The Reclamation Board, hereinafter referred to as STATE, and Mr. Brent Hastey, hereinafter referred to as LESSEE, entered into a 10 year agricultural Lease, dated November 1, 1994; and

WHEREAS, LESSEE now wishes to amend Lease No. 94-2 to establish a new rental rate and effective start date due to the severe orchard crop loss LESSEE suffered as a result of the January 1997 Feather River levee break; and

WHEREAS, The Reclamation Board heard testimony on and discussed LESSEE'S proposal at their August 27, 1997 meeting;

NOW, THEREFORE, the parties hereto agree to amend Lease No. 94-2 as follows:

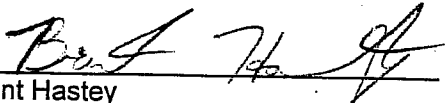
1. The consideration set forth in Section 1 and Special Provision 1 in Section 2, shall be \$1,000 per year or 10 percent of gross crop value, whichever is the higher amount, and shall continue to be payable on October 31 of each year of the lease.
2. The term of the lease as stated in Section 1 of the Lease shall be for 10 years, beginning November 1, 1997, terminating October 31, 2007, with three five-year renewal options.

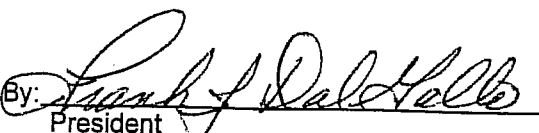
This Amendment shall become effective only when fully approved and executed on behalf of the State of California and a duly executed copy has been delivered to LESSEE. The submission of this Amendment by STATE, its agent or representative for examination by LESSEE does not constitute an option or offer to lease the Premises upon the terms and conditions contained herein. LESSEE'S submission of an executed copy of this Amendment to STATE shall constitute an offer to STATE to lease the Premises on the terms and conditions set forth herein.

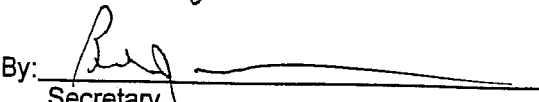
IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date hereafter affixed.

ACCEPTED**LESSEE**

**SACRAMENTO AND SAN JOAQUIN
DRAINAGE DISTRICT**, acting by and
through The Reclamation Board of the
State of California


Brent Hastey
Post Office Box 1463
Olivehurst, California 95961
(916) 741-1992

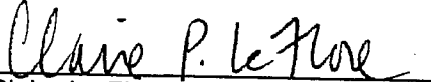
By: 
President

By: 
Secretary

Date: 12/17/97

Date: September 19, 1997

Approved as to Legal Form and Sufficiency

By: 
Claire Le Flore
Legal Counsel for The Reclamation Board

APPROVED
Department of General Services

Special Estate Officer

Cl

BRENT HASTLEY

(916) 743-6662

(916) 741-1992 MESSAGE

(916) 741-3223 HOME

(916) 741-6461 WORK

State of California
The Reclamation Board

AGRICULTURAL LEASE

This Lease consists of this summary and the following attached and incorporated parts:

- | | |
|-----------|---|
| Section 1 | Basic Provisions |
| Section 2 | Special Provisions Amending or Supplementing Section 1 or 3 |
| Section 3 | Standard Provisions |
| Section 4 | Legal Description and/or map(s) of Lease Premises |

SECTION 1

BASIC PROVISIONS

THE SACRAMENTO AND SAN JOAQUIN DRAINAGE DISTRICT, acting by and through The Reclamation Board of the State of California (P. O. Box 942836, Sacramento, California 94236-0001), hereinafter called STATE, for consideration specified in this Lease, pursuant to Water Code §8598, does hereby lease, demise and let to:

Brent Hastley
3034 Plumas Arboga Road
Marysville, California 95901
(916) 743-6662

hereinafter referred to as LESSEE, those certain lands included in Section 4, hereinafter referred to as Premises, subject to the provisions, reservations, terms, covenants and conditions of this Lease.

SIZE AND LOCATION: 120.00± acres, located in Yuba County, south of City of Marysville, west of Feather River Boulevard in Section 23, T.14N., R.3E., M.D.M.

LAND USE OR PURPOSE: Agricultural Use (irrigated or dry farm land)/Prune Orchard

IMPROVEMENTS: None.

TERM: Ten years beginning November 1, 1994, terminating October 31, 2004 with three five-year options

CONSIDERATION: \$10,000 per year or percentage of gross crop value, payable on October 31 each year of the Lease.

LIABILITY INSURANCE: \$1,000,000 combined single limit. (See Standard Provisions.)

SECTION 2

SPECIAL PROVISIONS

This Lease includes the following Special Provisions. In the event that any terms of the Standard Provisions and the Special Provisions are inconsistent, the Special Provisions shall prevail.

1. LESSEE shall pay to STATE as cash rent a percentage (5%
highest awarded bid) of gross crop value or a \$10,000 minimum yearly rental rate, whichever is the higher amount.
2. The demised PREMISES are subject to flood menace. LESSEE had this risk in mind when the LESSEE executed this Lease, and the LESSEE shall have no claim at law or in equity against the STATE for any loss or injury occasioned by fire, floods, or overflow waters, the breaking of levees or otherwise. The STATE shall be under no obligation to avoid these risks or to construct any reclamation works or to repair any damage caused thereby, or otherwise.
3. The parties to the Lease declare that an important objective is to enable each party to conduct its own land use objectives without the interference of the other party. To this end, but not limited to this action, ~~the LESSEE agrees to restrict the aerial application of herbicides and pesticides to its land so as not to contaminate adjacent State-owned lands in recognition of the value to the STATE of the foliage, brush and trees growing thereon.~~ LESSEE further agrees to restrict any ground application of herbicides and pesticides so that spray residue is not detectable any more than fifty (50) feet south of the southerly lease area boundary line shown as one hundred (100) feet south of Broadway Avenue on the attached Exhibit A in Section 4.
4. All trees and brush cleared shall be completely burned or removed from the floodway within ten (10) days of cutting, and no downed trees or brush shall be allowed to remain on the floodway during the flood season from November 1 to April 15.
5. Option: After the initial ten-year term of the lease, the STATE and LESSEE may agree to extend the lease term for a five-year period. The sole grounds for the STATE not to agree to an extension is the need of all or a part of the property for flood control, mitigation or other governmental purposes or the LESSEE's management practices being inconsistent with sound agricultural practices. The Lease may be extended for two successive five-year terms based upon this same criteria. At the end of the initial ten-year lease, an appraisal will be done by STATE appraisal staff to determine an updated minimum yearly rental rate, and this will be done for every subsequent five-year renewal period. LESSEE will be given at least thirty (30) days' prior written notice of the yearly rental rate modification.
6. LESSEE may harvest a maximum of 15 acres of prune trees from an adjacent STATE-owned prune orchard (100 feet south of Broadway Avenue), effective June 1, 1994 but no later than December 1, 1994. LESSEE shall pay the STATE the same percentage of crop value as was bid for the Premises for this initial harvest. If the STATE at any time terminates the Lease or does not agree to any additional option period, LESSEE may transplant any amount of prune trees above the original 6 acres of prune trees on the Premises.

SECTION 3 - STANDARD PROVISIONS

1. **ACREAGE APPROXIMATE.** LESSEE has visited and inspected the Premises and it is agreed that the acreage stated or shown in exhibits is only approximate and the STATE does not hereby warrant or guarantee the actual acreage included hereunder.
2. **USE OF PREMISES.** The use of Premises is to be strictly construed and therefore excludes the existence of any structures, mobile homes or trailers, incidental to agricultural purposes which are used for business, residential, or other related purposes incidental to the growing of crops, unless authorized in Section 1 Basic Provisions. No hunting or discharge of firearms are permitted on the Premises, unless authorized in Section 2, Special Provisions. Double cropping or grazing of land will require the prior written consent of the STATE. LESSEE'S use of the Premises shall be continuous from commencement of the Lease until its expiration or termination.
3. **CROPS AND LEASE TERM.** All crops must be harvested by the end of the Lease term. Lessee waives the provisions of Section 1932 and 1933 (4) of the Civil Code of California. Multiple year crops which produce beyond the term of this Lease, are planted at the sole risk and responsibility of LESSEE and such planting does not convey any right of LESSEE or responsibility of STATE to extension of this Lease beyond the Lease expiration or termination date or any right to compensation for any multiple year crops which produce beyond the term of the Lease or after Lease termination. STATE shall not be held accountable to LESSEE for any crops harvested by STATE or third parties beyond the term of this Lease or the termination of the Lease.
4. **PAYMENT OF RENT.** Rental payment shall be submitted to STATE addressed as follows:

California Department of Water Resources
ATTENTION: Cashier, Room 841
Post Office Box 942836
Sacramento, California 94236-0001

Such payments must be identified with the Lease Number. If rent is not paid when due, STATE may take action including terminating the Lease.
5. **UTILITIES.** LESSEE agrees to pay said rent as herein provided and to pay all water, electric, gas and other utility charges or any other charges payable in connection with LESSEE'S use of Premises during the term of this Lease. No utilities including electricity or gas will be provided by STATE and STATE assumes no liability for the existence or nonexistence of utilities.
6. **WATER AVAILABILITY.** It is understood and agreed between the parties hereto STATE does not guarantee the availability, quality or quantity of water on the Premises.
7. **TAXES.** LESSEE agrees to pay all lawful taxes, assessments, or charges which at any time may be levied upon interest in this agreement. It is understood that this Lease may create a possessory interest subject to property taxation and LESSEE may be subject to the payment of property taxes levied on such interest.
8. **COMPLIANCE WITH LAW.** LESSEE shall, at his sole cost and expense, comply with all of the laws and requirements of all municipal, state, and federal authorities now in force, or which may be in force pertaining to the Premises and the use of the

Premises as provided in the Lease. In the event that LESSEE shall be required to submit information or written reports to any such agency on or relating to any of the foregoing, LESSEE shall concurrently provide STATE with copies thereof.

9. **RIGHT TO ENTER, STATE.** During continuance in force of this Lease, there shall be and is hereby expressly reserved to STATE and to any of its agencies, contractors, agents, employees, representatives or licensees, the right at any and all times, and any and all places, to temporarily enter upon said Premises to inspect the Premises and the operations of LESSEE or for survey or other lawful STATE purposes. The STATE and its representatives may, from time to time, conduct geologic and other exploration, and construction activities, including but not limited to construction or modification of facilities. LESSEE shall, however, be entitled to seek compensation upon proof and demand for any and all damages caused to LESSEE's interest in growing crops and LESSEE's improvements and personal property upon the Premises by the enjoyment and exercise of such reserved rights by filing a claim with the Board of Control if agreement for such compensation cannot be otherwise reached by the parties.
10. **RIGHTS OF OTHERS.** This Lease is subject to all existing easements, servitudes, licenses and rights of way for canals, ditches, levees, roads, highways, telegraph, telephone and electric power lines, railroads, pipelines and other purposes, whether recorded or not and rights of others under any existing oil, gas and mineral Lease or Leases affecting the Premises or any portion thereof, whether recorded or not. STATE further reserves the right to grant additional public utility easements as may be necessary and LESSEE hereby consents to the granting of any such easement. The public utility will be required to reimburse LESSEE for any damages caused by the construction work on the easement area.
11. **MINERAL RIGHTS.** The exclusive right to conduct seismic and other geophysical surveys and otherwise to prospect for, drill for, produce, mine, extract and remove oil and gas upon and from the Premises, the exclusive right to drill upon, to drill through and otherwise to use the Premises to produce, mine, extract and remove water from adjacent or neighboring lands, and the exclusive right to inject in, store under, and thereafter withdraw from the Premises oil and gas, whether produced from the Premises or elsewhere, together with the right to drill and operate whatever wells, construct, install, operate, maintain and remove whatever other facilities and do whatever else may be reasonably necessary on and in the Premises for the full enjoyment and exercise of the above rights, and the unrestricted right of ingress and egress on the Premises for all such purposes, may be reserved or owned by other parties.
12. **RIGHT TO ENTER UNDER MINERAL RIGHTS.** LESSEE agrees not to interfere, in any way, with the interests of any person or persons that may presently, or in the future, hold oil, gas, or other mineral interests upon or under the Premises; nor shall LESSEE, in any way, interfere with the rights of ingress and egress of said interest holders.
13. **NO WARRANTY OF TITLE OR SUITABILITY OF THE SOIL.** STATE makes no warranty of title to the Premises. STATE does not warrant suitability of the soil for growing authorized crops, nor the absence of deleterious organisms or chemicals in the soil.

14. **CROPPING PROGRAMS AND AGREEMENTS.** LESSEE shall not, without prior written consent of STATE, enter into any soil conservation, federal farm program or cropping agreement affecting the Premises, irrespective of whether such agreement shall be proposed or submitted under or in compliance with any Federal, STATE, county or municipal law, or by private arrangement. LESSEE shall, upon written request of STATE, enter into and execute any and all such soil conservation, Federal farm program or cropping agreements affecting the Premises. If any Federal or STATE programs regulating crop acreage or crop production are imposed during the term of this Lease, the acreage or production rights resulting from said program, as applied to the Premises, shall remain with and inure to the benefit of the STATE.
15. **FARMING PROGRAM.** LESSEE shall install any necessary field ditches, pipelines and booster pumps, perform releveled operations necessary to comply with good husbandry and generally recommended farming practices, apply such soil conditioners and fertilizers as may be desirable subject to restrictions contained in this Lease, and do whatever else is necessary to place the Premises in condition for raising crops, all in accordance with specifications approved by STATE. LESSEE shall diligently farm the Premises in a businesslike manner in accordance with generally recommended farming practices in the region. Fields shall be disced a minimum of one time after harvest of annual crops and after final harvest of multi-year crops. Upon commencement of the Lease or on or before January 1 of the first crop year of the Lease, whichever is later, and on or before January 1 of each subsequent year of the Lease term, LESSEE shall submit to STATE a plan of operations for the then current year which shall show the crop plan and date for planting each crop. If Lessee fails to submit a plan satisfactory to STATE by the date specified, STATE may terminate this Lease immediately by written notice to LESSEE. All portions of the Premises shall be used for agricultural production or cultivated during the term of the Lease.
16. **CONDITION OF PREMISES.** By entry hereunder, LESSEE accepts the Premises as being in good order, condition and repair, and agrees that on the last day of the term, or upon sooner termination of this Lease, to surrender to STATE the Premises with any appurtenances or improvements in the same condition as when received, reasonable use and wear thereof and damage by act of God, excepted.
17. **MAINTENANCE.** LESSEE shall maintain the Premises, including all irrigation and drainage ditches, in a weed free condition and in good repair, and otherwise operate the Premises during the term hereof in a businesslike manner in accordance with generally recommended farming practices in the region. LESSEE shall not cut or allow any other person to cut or carry off from the Premises any tree or wood; nor burn any stubble, grass, weeds, or any substance growing upon said land, or any part thereof, without the prior written consent of STATE; and LESSEE expressly covenants and agrees to hold STATE free and harmless from all damage caused by fire resulting from the use or operation of said lands by LESSEE or any of his servants or employees.
- Burning operations on the Premises may be restricted or prohibited by Special Conditions herein. Allowable burning operations will be carried on pursuant to local ordinances and at LESSEE'S own cost and expense.

LESSEE agrees that in no event shall STATE be required to perform any maintenance on or make improvements, repairs or alterations to the Premises of any nature whatsoever, or to pay or reimburse LESSEE for any part of the cost thereof, and LESSEE hereby waives the provisions of Sections 1941 and 1942 of the Civil Code of California. LESSEE agrees to keep the Premises in good order and condition at his sole cost and expense.

18. **MAINTENANCE - FACILITIES.** LESSEE agrees at his sole cost and expense to repair and maintain in good operating condition all buildings and other structures, fences, ditches, checks, canals, culverts, irrigation levees, water wells, water pumps, pipelines, pumping plants and other irrigation facilities and other improvements on the Premises or constructed upon the Premises by LESSEE under ALTERATION OF PREMISES clause (except LESSEE's removable improvements), whether or not damage was done by LESSEE or any of their agents or employees.
19. **PROTECTION AGAINST NUISANCE AND DAMAGE.** No removal of soil or dumping of refuse by LESSEE is permitted in any area of the Premises, and LESSEE shall not commit or suffer to be committed any waste or nuisance upon the Premises including storage of abandoned and inoperable motorized equipment or vehicles; and LESSEE further agrees that he shall at all times exercise due diligence in the protection of the Premises against damage or destruction by fire or other causes.
20. **RESTRICTED ACTIVITIES.** The following activities are restricted on the Premises:
- As used in this Lease, the term "hazardous substance" means any product, substance, chemical material or waste, that due to its nature or quantity is potentially injurious to public health or safety, the environment, or the Premises, or is regulated or monitored under Federal or State law, including but not limited to RCRA (42 USC secs. 6901 et seq.), CERCLA (42 USC 9601 et seq.), SARA (42 USC secs. 11001 et seq.), Hazardous Waste Control Law (Health and Safety Code secs. 25100 et seq.), and Proposition 65 (Health and Safety Code secs. 25249.5 et seq.). Hazardous substances includes hydrocarbons, petroleum, and gasoline. The generation, use, storage, and transportation of hazardous substances requiring a permit from, registration with, or notice to a governmental entity is prohibited. However, LESSEE may, without STATE's consent, use any customary materials required in LESSEE's normal course of business that does not require a permit, registration, or notice provided such use does not expose the premises or nearby persons or properties to any meaningful risk of contamination or injury and is in compliance with applicable laws. LESSEE agrees to indemnify, hold and save STATE, its agencies, employees, agents, and contractors free, clear, and harmless of, from, and against any and all claims, demands or liabilities of whatever kind, character or nature which in any manner arise out or result from any use or application of any hazardous substance.
 - The installation or use of any above ground or below ground storage tanks is prohibited.
 - The accumulation, storage, treatment, or disposal of any waste material is prohibited; excepting only temporary storage, not to exceed 14 days, or non-hazardous solid refuse produced from activities on the Premises for pick up by a municipal or licensed commercial refuse service, and lawful use of sanitary sewers (if any) for domestic sewage.

d. The manufacturing, maintenance of equipment or vehicles, or use, installation or construction of vessels, tanks (stationary or mobile), dikes, sumps, or ponds, or any activity for which a license or permit is required from any government agency for (1) transportation, storage, treatment, or disposal of any waste, and (2) discharge of any pollutant including but not limited to discharge to air, water, or a sewer system is prohibited.

e. Any spill or release of a hazardous substance in the air, soil, surface water, or groundwater will be immediately reported to the STATE as well as to appropriate government agencies, and shall be promptly and fully cleaned up and the Premises (including soils and surface water and groundwater) restored to its original condition.

21. **CHEMICALS.** No poison, herbicide or pesticide other than those approved by the United States Department of Agriculture and by the California Department of Agriculture shall be applied to the Premises or crops growing thereon. STATE reserves the right to prohibit the application of a listed pesticide, fertilizer, or soil amendment to STATE property, but not without recommending an effective and suitable replacement. The use of pesticides should be minimized. Any and all of such materials and substances shall be applied in strict compliance with and only at the time or times set forth in the instructions contained on the label or furnished by the manufacturer thereof. In addition, the use of pesticide aldicarb (also known as Temik) is prohibited.

No poison, herbicide, pesticide, fertilizer or other chemical shall be placed in any well. No well shall be operated for any use unless equipped with a suitable check valve in the discharge pipe or a flap valve in the stand pipe that is approved by STATE and installed and maintained by the LESSEE, at its expense. No experimental poisons, herbicides, pesticides, fertilizers or other foreign chemical or substance shall be applied to the Premises, or the crops growing thereon, without the prior written consent of STATE. No soil sterilant or semi-sterilant shall be applied to the Premises without the prior written consent of STATE.

LESSEE agrees to keep true and correct records of the time, place and all other information and data pertaining to the quantity, kind, use and method of application of any poison, herbicide, pesticide, fertilizer or other foreign chemical or substance and to furnish to STATE true and correct copies thereof upon demand. All poisons, herbicides, pesticides, fertilizers or other foreign chemicals, or substances which LESSEE may apply to the Premises or crops growing thereon, shall be used and applied at LESSEE's sole cost and risk. LESSEE agrees to indemnify, hold and save STATE, its agencies, employees, agents, and contractors free, clear, and harmless of, from and against any and all claims, demands or liabilities of whatever kind, character or nature which in any manner arise out of or result from any use or application of any of the aforesaid substances. LESSEE shall provide STATE a copy of the County Pesticide Permit.

22. **PERFORMANCE.** In the event of the failure, neglect, or refusal of LESSEE to do or perform work, or any part thereof, or any act or thing in this Lease provided to be done and performed by LESSEE, STATE shall, at its option, have the right to do and perform the same, and LESSEE hereby covenants and agrees to pay STATE the cost thereof on demand.

23. **LABOR AND MATERIALS.** LESSEE shall, at his own risk and expense, provide and promptly pay for all labor, farm imple-

ments, tools, seed, fuel, electrical energy and demand charges and other materials and services of whatever kind or nature that may be used for the planting, cultivating, irrigation, production and harvesting of crops on the Premises and the performance of LESSEE's other obligations under this Lease, and STATE shall not be liable for any part thereof. LESSEE shall keep the Premises free from any liens arising out of any work performed, material furnished, or obligations incurred by LESSEE.

24. **ALTERATION OF PREMISES.** No alteration to the Premises or construction of facilities or improvements thereon shall be allowed without prior written approval by the STATE except installations required and necessary to comply with generally recommended farming practices.

25. **OWNERSHIP OF FACILITIES.** Upon expiration of this Lease, or sooner termination, any and all irrigation facilities upon the Premises, including but not limited to any wells, pumps, electric motors, pipelines, valves and water gates, but excepting portable sprinkler irrigation facilities and tail water pumps provided by LESSEE, shall become the property of STATE free of cost to STATE. Ownership and removal of facilities or improvements placed on Premises with prior written approval of STATE as provided in clause #24 shall be as stated in the written approval. All other facilities or improvements placed on the Premises by LESSEE which are required to comply with generally recommended farming practices shall be the property of LESSEE so long as this Lease is in effect and shall be removed by LESSEE upon termination of this Lease.

26. **PERSONAL PROPERTY.** All personal property, tools, or equipment taken onto, stored or placed on the Premises by the LESSEE shall remain the property of the LESSEE. Such personal property shall be removed by the LESSEE, at his sole risk and expense, upon the expiration or sooner termination of this Lease. The STATE does not accept any responsibility for any damage, including, but not limited to damages caused by fire, flooding and theft, to any personal property, including any equipment, tools or machinery stored on the lease Premises.

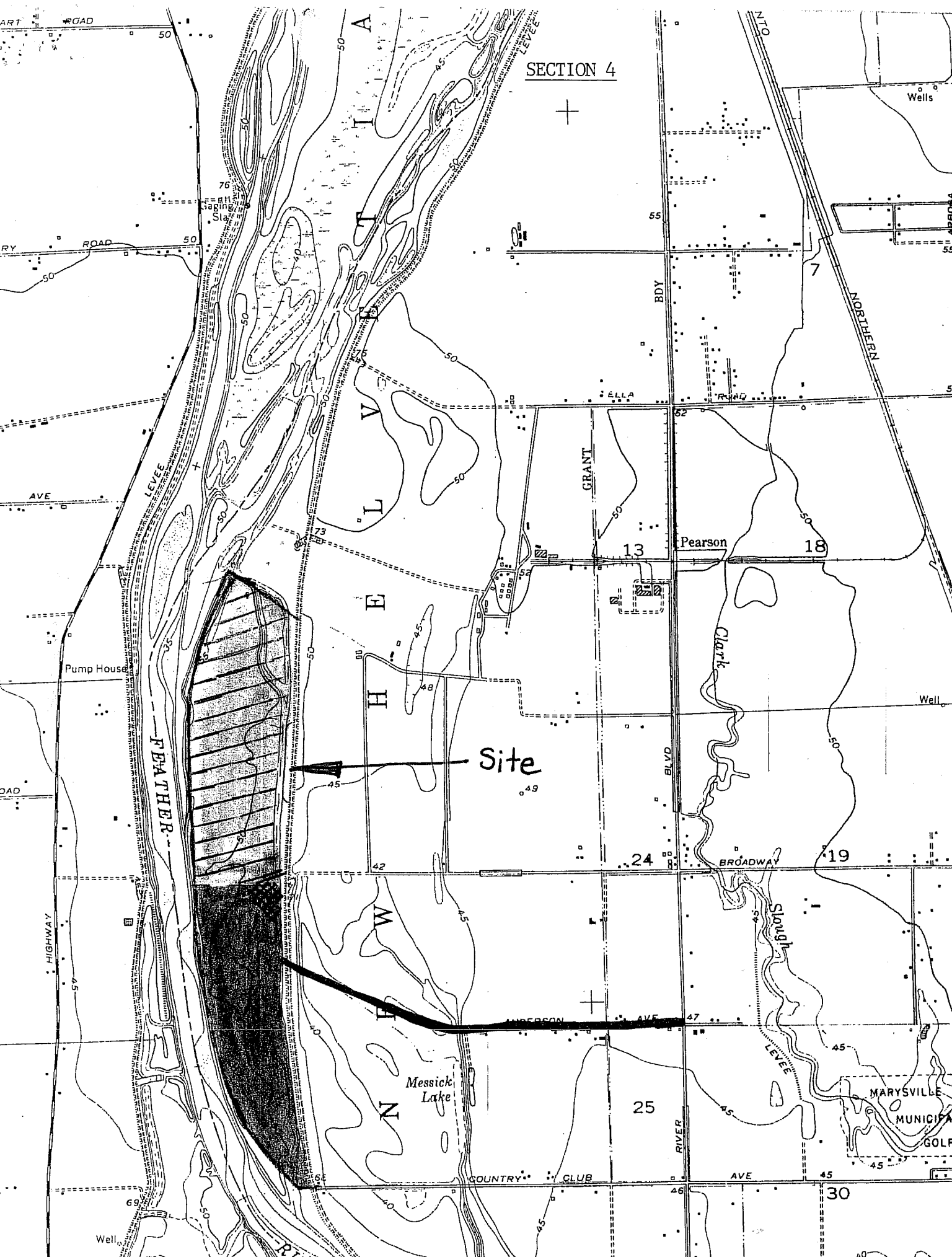
27. **INSURANCE.** LESSEE shall furnish to the STATE a Certificate of Insurance, at the time the Lease is signed, stating that there is liability insurance presently in effect for LESSEE with bodily injury and property damage limits of not less than \$1,000,000 per occurrence. The Certificate of Insurance will provide:

- That the insurer will not cancel the insured's coverage without 30 days' prior written notice to the STATE.
- The STATE, its officers, agents, employees and servants are included as additional insureds, but only insofar as the operations under this Lease are concerned.
- That the STATE will not be responsible for any premiums or assessments on the policy.
- That the Premises included in this Lease (referenced by Lease Number) is covered by the policy.

LESSEE agrees that the bodily injury liability insurance herein provided for shall be in effect at all times during the term of this Lease. In the event said insurance coverage expires at any time or times during the term of this Lease, LESSEE agrees to provide at least thirty (30) days prior to said expiration date a new Certificate of Insurance evidencing insurance coverage as provided for herein for not less than the remainder of the term of the Lease, or for a period of not less than one (1) year.

New Certificates of Insurance are subject to the approval of State Department of General Services. In the event LESSEE fails to keep in effect at all times insurance coverage as herein provided, STATE may, in addition to any other remedies it may have, terminate this Lease upon the occurrence of such event. The STATE will not be liable for any debts or claims that arise from the operation of this Lease.

28. **INDEMNIFICATION.** This Lease is made upon the express condition that the State of California is to be free from all liability and claims for damages by reason of any injury to any person or persons, including LESSEE, or property of any kind whatsoever and to whomsoever, including LESSEE, from any cause or causes whatsoever while in, upon, or in any way connected with the Premises during the term of this Lease or any occupancy hereunder, except those arising out of the sole negligence of the STATE. LESSEE agrees to defend, indemnify and save harmless the State of California from all liability, loss, cost or obligation on account of or arising out of any such injury or loss, however occurring. LESSEE further agrees to provide necessary workers compensation insurance for all employees of LESSEE upon said Premises at the LESSEE's own cost and expense.
29. **DEBTS AND CLAIMS-- STATE NOT LIABLE.** The STATE shall not be liable for any debts or claims that arise from the operation of this Lease.
30. **STATE NOT LIABLE FOR WATER DAMAGE.** Neither STATE nor any of its employees, agents, representative or assigns shall be liable for any injury or damage sustained by LESSEE, or by others acting under him, on account of the seepage of water into or overflow of water upon the Premises from neighboring lands, any canal, ditch, river stream or other watercourse or reservoir, whether above or underground, or from any other source, whether caused whole or in part by irrigation, by the construction, maintenance, operation or failure of canals, dams, embankments, levees, spillways or other irrigation, water storage or flood control works, or in any other manner. This shall not preclude LESSEE from filing a claim with the State Board of Control.
31. **NO SUBLETTING.** LESSEE shall not, without the prior written consent of STATE, sublet or permit grazing of the Premises in whole or in part, nor assign this Lease or any interest herein.
32. **NOTICES.** All notices herein provided to be given or which may be given by either party to the other shall be deemed to have been fully given when made in writing and deposited in the United States mail, certified, postage prepaid and addressed to such party at its address set forth in Section 1 of this Lease. The address to which notices may be mailed as aforesaid to either party, may be changed by written notice given by subject party to the other, as hereinbefore provided; but nothing herein contained shall preclude the giving of any such notice by personal service.
33. **INDEPENDENT CAPACITY.** LESSEE and any and all agents and employees of LESSEE shall act in an independent capacity and not as officers or employees of STATE. Nothing herein contained shall be construed as constituting the parties herein as partners.
34. **NONDISCRIMINATION.** LESSEE agrees that it will not discriminate against any employee or applicant for employment because of race, color, religion, ancestry, national origin, sex, age or physical handicap. LESSEE agrees to take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, ancestry, national origin, sex, age or physical handicap. (See Government Code Sections 12920-12994 for further details.)
35. **TERMINATION.** STATE may terminate this Lease in whole or in part at any time during the term hereof by giving LESSEE notice in writing at least 90 days prior to the date when any such termination shall become effective. If, prior to the time for harvesting, STATE should terminate this Lease, STATE agrees to reimburse LESSEE for all reasonable and/or actual costs expended by LESSEE pursuant to this Lease in the production of that portion of the crop affected by any such termination. If termination is made due to default, STATE shall not be liable for any reimbursements to LESSEE. STATE shall not be liable for loss of anticipated profits. LESSEE agrees to maintain an accurate record of all expenditures for labor and materials made in connection with his cultivation of, or capital improvements to, the Premises in order that STATE may verify the amount of reimbursement to be made to LESSEE. LESSEE shall support all such expenditures with appropriate, receipted, written vouchers.
36. **DEFAULT AND REMEDIES.** LESSEE agrees that he will keep, perform and observe all the covenants, conditions and provisions of this Lease on his part. In addition to any other rights and remedies available to STATE should LESSEE fail to keep, perform and observe any covenant, condition or provision of this Lease and such failure shall continue for a period of three (3) days, after thirty (30) days' written notice thereof given by STATE to LESSEE, STATE may at its option by further written notice to LESSEE do any one or more of the following:
- a. Re-enter the Premises, remove all persons and property, and repossess and enjoy such Premises;
 - b. Terminate this Lease and LESSEE's right of possession of the Premises. Such termination shall be effective upon STATE's giving written notice and upon receipt of such notice LESSEE shall immediately surrender possession of the Premises to STATE;
 - c. Maintain this Lease in full force and effect and recover any rental, royalty, or other consideration as it becomes due without terminating LESSEE's right of possession regardless of whether LESSEE shall have abandoned the Premises; and/or
 - d. Exercise any other right or remedy which STATE may have at law or equity.
- If STATE incurs any expense, including reasonable attorneys' fees, in connection with any actions or proceeding instituted by reason of any default or alleged default of LESSEE, and should STATE prevail in such action or proceeding, STATE shall be entitled to recover said reasonable expenses from LESSEE. STATE shall be deemed the prevailing party if (a) judgment is entered in favor of STATE or (b) prior to trial or judgment, LESSEE pays all or any portion of the rent and charges claimed by STATE, eliminates the condition(s), ceases the act, or otherwise cures the omission(s) claimed by STATE to constitute a default by LESSEE hereunder.
37. **SUCCESSORS TO LEASE.** The terms of this Lease and covenants and agreements herein contained shall apply to and shall bind and inure to the benefit of the heirs, representatives, assigns and successors in interest of the parties hereto.



SECTION 4

Site

FEATHER

Messick Lake

Clark Slough

MARYSVILLE MUNICIPAL GOLF

GRANT

Pearson

BROADWAY

MURDERSON AVE

COUNTRY CLUB

AVE

Pump House

Well

Wells

NORTHERN

BDY

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19

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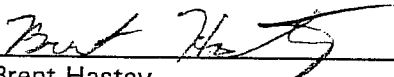
STATE OF CALIFORNIA
THE RECLAMATION BOARD

LEASE NO. 94-2

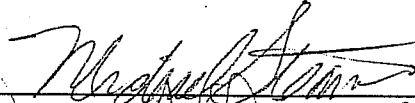
This Lease shall become effective only when fully approved and executed on behalf of the State of California and a duly executed copy has been delivered to LESSEE. The submission of this Lease by STATE, its agent or representative for examination by LESSEE does not constitute an option or offer to lease the Premises upon the terms and conditions contained herein, or a reservation of the Premises in favor of LESSEE. LESSEE'S submission of an executed copy of this Lease to STATE shall constitute an offer to STATE to lease the Premises on the terms and conditions set forth herein.


IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date hereafter affixed.

LESSEE:


Brent Hastey
3034 Plumas Arboga Road
Marysville, CA 95901
(916) 743-6662

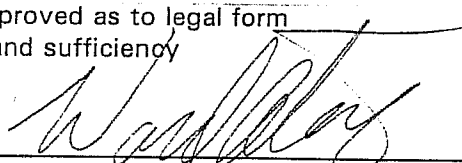
SACRAMENTO AND SAN JOAQUIN
DRAINAGE DISTRICT, acting
by and through The Reclamation
Board of the State of California

By 
President

By 
Secretary

Date October 21, 1994


Approved as to legal form
and sufficiency

By 
Counsel for The Reclamation Board

Date October 21, 1994

Approved

DEPARTMENT OF GENERAL SERVICES

By 
Dwight Weathers
Senior Real Estate Officer

Date November 15, 1994

Brent Hasey
Post Office Box 1463 3024 Pioneer Ave. Box 21
Olivichurst, CA 95961 Marysville, CA 95901
(916) 741-1992

October 2, 2006

The Reclamation Board
Sacramento and San Joaquin
Drainage District
P.O. Box 942836
Sacramento, Ca 94236-0001

Re: Agriculture Lease 94-2

Dear Sirs,

Enclosed is a copy of the Lease Agreement No. 94-2, which I have with the Reclamation Board regarding the 120+ acres west of Feather River Boulevard in Section 23, T.14N., R.3E., M.D.M. I request that the Reclamation Board transfer this lease to my associate Mr. Raj Kumar Sharma, who has over 20 years experience in orchard farming and is owner/manager of 1500 acres of walnuts and peaches in Sutter and Solano County, Ca. I asked him to help me manage the property since the 1997 floods when the Marysville levees broke right by the orchard and uprooted all the trees and left big holes in the ground, and he has invested a sizable amount of his own capital into the property. He wishes to continue the lease and continue farming the property, and agrees to abide by all the provisions and covenants of the current Agricultural Lease. His contact information is below:

Raj Kumar Sharma
P.O. Box 1107
Wheatland, CA 95692
Office (530) 633-2057
Fax (530) 633-2058
Cell (530) 682-2057

Please feel free to contact him if you need any additional information.

Sincerely,



Brent Hasey

Encl.

The Reclamation Board

CONSENT TO ASSIGNMENT OF AGRICULTURAL LEASE NO. 94-2

By Reclamation Board Lease No. 94-2, dated November 1, 1994, the Sacramento and San Joaquin Drainage District, acting by and through The Reclamation Board, State of California, as Lessor, leased to Brent Hastey, as Lessee, certain lands situated in the County of Yuba and as shown on the attached map, Exhibit A, which by reference is made a part hereof; and

Whereas, said lease was amended on October 17, 1997 due to severe crop loss suffered as a result of the January 1997 Feather River levee break; and

Whereas, said amendment changed the annual rent from \$10,000 or 5% of the gross crop value to \$1,000 per year or 10% of the gross crop value whichever is the higher amount; and

Whereas, said amendment changed the term of the lease to have a beginning date of November 1, 1997 for a period of ten years with three five-year renewal options; and

Whereas, on October 2, 2006, Brent Hastey assigned his interest in said Lease to Raj Sharma; and

Whereas, The Sacramento and San Joaquin Drainage District, acting by and through The Reclamation Board, State of California consents to the assignment of the leasehold interests of Brent Hastey to Raj Sharma.

Now Therefore, the undersigned does hereby consent to the assignment of the above described rights, title and interest in said Lease No. 94-2, subject to the terms and provisions thereof, by Brent Hastey as Assignor to Raj Sharma as Assignee.

Raj Sharma agrees to be bound by the provisions of the lease dated November 1, 1994 between the Sacramento and San Joaquin Drainage District, acting by and through The Reclamation Board of the State of California and Brent Hastey and amended on October 17, 1997, a copy of which is attached hereto; which provisions shall extend to and be binding upon its heirs, successors, legal representatives and assigns.

Agreed to:

Raj Sharma

**SACRAMENTO AND SAN JOAQUIN
DRAINAGE DISTRICT, ACTING BY AND
THROUGH THE RECLAMATION BOARD**

By: _____

By: _____
Benjamin Carter, President

Title: _____

By: _____
Maureen Doherty, Secretary

Date: _____

Date: _____

Approved as to legal form and sufficiency:

By: _____
Scott Morgan, Counsel for
The Reclamation Board

Maintenance Yard: Sutter

Lease No. 94-2

SAP No.: F0200PM07120

**LEASE AGREEMENT NO. 94-2
AMENDMENT NO. 2**

WHEREAS, the Sacramento and San Joaquin Drainage District, acting by and through The Reclamation Board, hereinafter referred to as STATE, and Brent Hastey, entered into a 10-year agricultural lease, dated November 1, 1994; and

WHEREAS, due to a severe crop loss suffered as a result of the January 1997 Feather River Break, the lease was amended on October 17, 1997 and to change the minimum annual rental of the lease to \$1,000 or 10 percent of the gross crop value, whichever is the higher amount; and to change the beginning date of the lease to November 1, 1997; and

WHEREAS, Brent Hastey assigned the lease to Raj Sharma by letter dated October 2, 2006; and

WHEREAS, Mr. Sharma has invested a great deal of time and resources into restoring the orchard and leased premises; and

WHEREAS, the orchard and leased premises has suffered another severe crop loss due to the high water event in the Spring of 2006; and

WHEREAS, the Reclamation Board heard testimony on and discussed Mr. Sharma's proposal at their April 20, 2007 meeting;

NOW, THEREFORE, the parties hereto agree to amend Lease No. 94-2 as follows:

1. The consideration set forth in Section 1 and Special Provision 1 in Section 2, shall be \$1,000 per year or 10 percent of gross crop value, whichever is the higher amount, and shall continue until October 31, 2015 whereupon the annual rent shall be \$10,000 or five percent of the gross crop value, whichever is the greater amount. Upon mutual agreement to renew the lease for an additional five-year period beginning November 1, 2027, the annual rent shall be \$10,000 or 10 percent of the gross crop value, whichever is the greater amount.
2. The initial term of the lease as stated in Section 1 of the Lease shall be for 20 years with a beginning date of November 1, 2007, with three five-year renewal options. Special Provision 5 in Section 2, shall be modified to reflect the change in the initial term of the lease to be consistent with Section 1 of the Lease.

LEASE AGREEMENT NO. 94-2
AMENDMENT NO. 2
Page 2 of 2

All other terms and conditions of the lease remained unchanged and in full force.

This Amendment shall become effective only when fully approved and executed on behalf of the State of California and a duly executed copy has been delivered to LESSEE. The submission of this Amendment by STATE, its agent or representative for examination by LESSEE does not constitute an option or offer to lease the Premises upon the terms and conditions contained herein. LESSEE's submission of an executed copy of this Amendment to STATE shall constitute an offer to STATE to lease the Premises on the terms and conditions set forth herein.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date hereafter affixed.

ACCEPTED

SACRAMENTO AND SAN JOAQUIN
DRAINAGE DISTRICT, acting by and
through The Reclamation Board of the
State of California

LESSEE

Raj Sharma

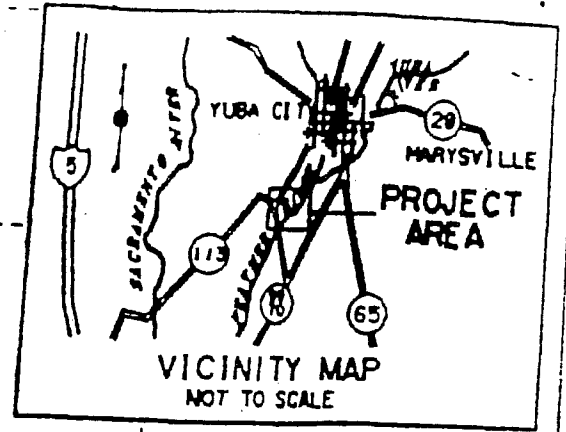
By: _____
Benjamin Carter, President

By: _____
Maureen Dougherty, Secretary

Approved as to Legal Form and Sufficiency

By: _____
Scott Morgan
Legal Counsel for the Reclamation Board

SECTION 4



FEATHER RIVER

120 AC±



SCALE 1"=500'

100'

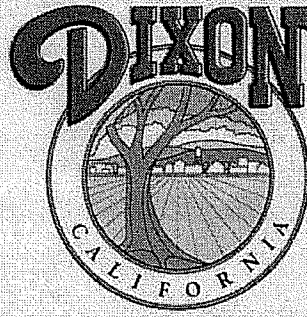
BROADWAY ROAD

Lease Signature Page - Rec.Bd.
DWR 4259-A (New 11/93)

Lease No. 94-2
Page 8 of 8

COUNTY

EXHIBIT A



March 29, 2001

Subject: *Letter of Recommendation for Mr. Raj Kumar Sharma*

To Whom It May Concern:

Mr. Sharma purchased about 800 acres of property from the Vacaville/Dixon Greenbelt Authority in 1996. The Cities of Dixon and Vacaville provided seller financing to Mr. Sharma and secured the financing through a deed of trust. All payments due on the note have been received in a timely manner.

The property he purchased was limited to agricultural use through a Conservation Easement held and administered by the Authority. Mr. Sharma committed to plant the property with tree crops, English Walnuts and Peaches. He completed the planting prior to the date which he had promised. Mr. Sharma is extremely knowledgeable in agricultural operations. He has met all of his obligations and lived up to the commitments he has made to our organization.

The City of Dixon continues to be in contact with Mr. Sharma. We are currently talking with the City of Davis regarding creating a similar buffer between Dixon and Davis. It may include agricultural easements similar to the one we have created between Dixon and Vacaville. I believe that our business relationship has been mutually beneficial for both the Greenbelt Authority and Mr. Sharma.

If I can provide further information in regard to our dealings with Mr. Sharma, please do not hesitate to contact me.

Respectfully,

Warren Salmons
City Manager

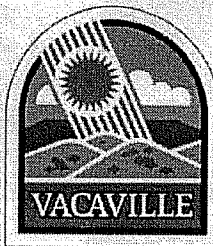
cc: file

WS/ks

City of Dixon

600 East A Street • Dixon, California • 95620-3619
(707) 678-7000 • FAX (707) 678-0960 • TDD (707) 678-1489

COUNCIL MEMBERS
LEN AUGUSTINE, Mayor
PAULINE CLANCY, Vice Mayor
CHUCK DIMMICK
STEVE HARDY
STEVE WILKINS



Office of:
Finance

CITY OF VACAVILLE

650 MERCHANT STREET, VACAVILLE, CALIFORNIA 95688-6908

ESTABLISHED 1850

October 6, 2006

Subject: Letter of Recommendation for Mr. Raj Kumar Sharma

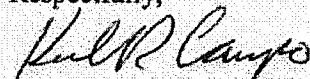
To Whom It May Concern:

The City of Vacaville has been involved with Mr. Raj Kumar Sharma as part of the Vacaville/Dixon Greenbelt since 1995. I have personally been working with Mr. Sharma on the Greenbelt project since 2002. I have found Raj to be a knowledgeable and hard-working farmer, a sound businessman and, above all, an honorable person that follows through on his word.

Mr. Sharma and his brother acquired 776 acres of farmland from the Vacaville/Dixon Greenbelt Authority in 1996. The transaction involved the two cities providing seller financing to Mr. Sharma and securing the financing through a Deed of Trust. Due to a number of unfortunate circumstances caused by weather conditions (namely, frost damage) and family issues, it was necessary to restructure the terms of the note to ensure the goals of the Greenbelt Authority to preserve open space and those of Mr. Sharma in attaining a successful farming operation would be met. Raj was always upfront with me throughout our dealings and delivered on whatever was promised. We were able to effectively restructure the financing and preserve the initial goals of all parties involved. I am pleased to state that Raj not only lived up to his end of the deal, but fully paid off the amount owed to the Greenbelt Authority a full six months ahead of schedule.

We continue to be in contact with Mr. Sharma and remain interested in working with him to expand the greenbelt if the opportunity arises. If I can provide further information in regard to our dealings with Mr. Sharma, please do not hesitate to contact me.

Respectfully,


Kenneth R. Campo, CPA
Finance Director

(P.S. The orchard looks great!)

DEPARTMENTS: Area Code (707)

TDD (707) 449-5162 or California Relay Service 7-1-1

www.cityofvacaville.com

Administrative Services 449-5101	City Attorney 449-5105	City Manager 449-5100	Community Development 449-5140	Community Services 449-5654	Fire 449-5452	Housing & Redevelopment 449-5660	Police 449-5200	Public Works 449-5170
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